

**EAST GRAND RAPIDS
PUBLIC SCHOOLS
Kent County, Michigan**

Comprehensive Annual Financial Report

For the year ended June 30, 2007

EAST GRAND RAPIDS PUBLIC SCHOOLS
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For the year ended June 30, 2007

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

November 12, 2007

The Board of Education
East Grand Rapids Public Schools

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of East Grand Rapids Public Schools (the "District") as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's elected officials and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of East Grand Rapids Public Schools as of June 30, 2007, and the respective changes in financial position and budgetary comparison for the General Fund the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2007 on our consideration of East Grand Rapids Public Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of East Grand Rapids Public Schools. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

EAST GRAND RAPIDS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2007

As management of the East Grand Rapids Public Schools ("the District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which immediately follow this section.

Overview of the Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis (this section), the Basic Financial Statements and Supplemental Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements, the Statement of Net Assets and the Statement of Activities, are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- *Governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The Basic Financial Statements also include Notes to Basic Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data. Supplemental Information follows and includes combining and individual fund statements.

District-wide Statements

The district-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets, and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, one should consider additional non-financial factors such as changes in the District's property tax-base, economic factors that might influence state aid revenue, and the condition of school buildings and other facilities.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2007

In the district-wide financial statements, the District's activities are presented as follows:

- *Governmental activities:* The District's basic services are included here, such as regular and special education, instructional support, transportation, administration, community services, food service and athletics. State aid and property taxes finance most of these activities.

Condensed District-Wide Financial Information

The Statement of Net Assets provides financial information on the District as a whole.

	<u>2007</u>	<u>2006</u>
Assets		
Current assets	\$ 27,370,409	\$ 29,173,811
Capital assets, net book value	<u>48,675,762</u>	<u>46,954,952</u>
Total Assets	<u>75,794,191</u>	<u>76,128,763</u>
Liabilities		
Current liabilities	9,202,225	7,768,124
Long-term liabilities	<u>70,053,778</u>	<u>71,057,295</u>
Total Liabilities	<u>79,256,003</u>	<u>78,825,419</u>
Net Assets		
Invested in capital assets, net of related debt	(8,509,925)	(7,065,570)
Restricted	901,648	682,384
Unrestricted	<u>4,398,445</u>	<u>3,686,530</u>
Total Net Assets	<u>\$ (3,209,832)</u>	<u>\$ (2,696,656)</u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2007

The Statement of Activities presents changes in net assets from operating results:

	<u>2007</u>	<u>2006</u>
Program Revenues		
Charges for services	\$ 1,825,390	\$ 1,975,361
Operating grants	2,529,761	2,388,428
General Revenues		
Property taxes	6,013,928	5,569,389
State school aid, unrestricted	22,276,156	21,385,814
Interest earnings	1,102,222	222,623
Other	266,751	223,781
Total Revenues	<u>34,014,208</u>	<u>31,765,396</u>
Expenses		
Instruction	16,889,108	16,788,341
Supporting services	12,030,250	9,928,865
Community services	429,876	396,213
Food service	878,667	864,814
Athletics	921,548	963,170
Other	24,133	30,098
Interest on long-term debt	3,353,802	2,686,764
Total Expenses	<u>34,527,384</u>	<u>31,658,265</u>
Increase (decrease) in net assets	(513,176)	107,131
Net Assets - Beginning of Year	<u>(2,696,656)</u>	<u>(2,803,787)</u>
Net Assets - End of Year	<u><u>\$ (3,209,832)</u></u>	<u><u>\$ (2,696,656)</u></u>

Financial Analysis of the District as a Whole

The District's financial position is the product of many factors. Historical expenditure reductions and closely monitored spending practices helped ensure the financial stability of the General Fund.

The District's total revenues increased 7.1% to \$34 million. Unrestricted State aid accounted for 65% of the revenues, while property taxes amounted to 17.7%. Another 7.4% came from state and federal aid for specific programs and the remainder from fees charged for services, interest earnings and miscellaneous sources.

The total cost of all programs and services increased 9.9% to \$34.8 million. While retirement and insurance expense rates increased at a higher rate, the District's budget committee worked to develop a comprehensive budget plan which maintained academic programs for students in East Grand Rapids.

Expenses surpassed revenues by \$513,176 on the Statement of Activities, increasing the deficit in Net Assets to \$3,209,832. However, Unrestricted Net Assets increased by \$711,915 to \$4,398,445 at June 30, 2007.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2007

The recent stability of the District's finances can be attributed to steady to slightly increased student enrollment and proactive budgeting and outstanding Community support.

- Budgets for 2006-07 were based on an anticipated reduction in state per-pupil funding during the fiscal year. Actual per-pupil funding was not reduced resulting in additional State Aid compared to budget.
- The support expressed by the community in the 1.355 mill recreational millage increase resulted in increased revenue of \$708,000.
- The community fund drive for the Jimmy Gerken Plaza and other outdoor athletic facilities continued to be received. Receipts for 2006-07 totaled approximately \$75,000, fundamentally completing the Jimmy Gerken fund drive.

The District has also worked to reduce costs in many areas through collaboration with other districts, changing contracted vendors, utilization of governmental reimbursement programs where possible and just shopping for the best price:

- The District offered an early retirement incentive to professional staff, which allowed the district to reduce positions through attrition.
- The District continues to optimize revenue and reduce expense through the Federal E-Rate program and cooperative contracts for the purchase of utility services.
- The District continued its partnership with regional schools through KISD to create a regional transportation program for Special Education creating efficiencies and future additional revenues.
- The District receives a base payment from Sprint/Nextel and Cingular for an antenna at Memorial Field, as well as an annual accrual payment from Coca Cola through the KISD Beverage Consortium.

The administration will push to increase these and other costs saving programs for the next fiscal year. As State revenues level out or actually decrease, it will be essential that the District continue to try to reduce expenditures and maximize revenues.

- Local revenues including property taxes and major donations accounted for \$2.87 million, or about 10.41% of General Fund revenues.
- Most of the District's costs were financed by State Aid which represented 81% of General Fund revenues.
- In 2006-07 the district realized cost savings from participating in the implementation of the first regional self-funded employee benefits pool.
- The District has partnered with Energy Education Inc. to maximize efficiency of energy usage to offset some of the recent increase in utility prices.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2007

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. As a general rule, fund balances from one fund are prohibited from being expended on expenditures of another fund.

The District utilizes two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information following the governmental funds' statements explain the relationship (or difference) between them.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as Student Activities Funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District's Funds

The District uses funds to record and analyze financial information. East Grand Rapids Public School's funds are described as follows:

Major Funds

General Fund

The General Fund is the primary operating fund. The General Fund had total revenues of \$27,558,634, total expenditures of \$26,415,247, and total other financing uses of \$519,000. It ended the fiscal year with a fund balance of \$4,393,554, up from \$3,769,167 as of June 30, 2006, for an increase of \$624,387.

Building and Site Fund

The Building and Site (Sinking) Fund is funded by annual property tax levies which are utilized to improve District facilities. Current year revenues totaled \$334,376 and expenditures totaled \$91,416 leaving a remaining fund balance at June 30, 2007 of \$1,294,289.

2006 Construction Fund

The District issued \$18,900,000 in capital improvement bonds in 2006 to finance building renovations and equipment purchases. Current year investment earnings totaled \$825,693 and capital outlay expenditures totaled \$4,860,011, leaving a remaining fund balance at June 30, 2007 of \$14,989,989 with which to complete the projects over subsequent fiscal years.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2007

Nonmajor Funds

Special Revenue Funds

The District operates two Special Revenue Funds, for the food service and athletic programs. Total revenues were \$1,167,456 and other financing sources (inter-fund transfers) were \$519,000, with total expenditures of \$1,730,575. Both funds continued to meet financial expectations resulting in ending fund balances of \$37,232 for Food Service and \$27,304 for Athletics.

Debt Service Funds

The District operates four Debt Service Funds. Total revenues were \$4,225,699, other financing sources were \$1,136,382 and total expenditures were \$5,374,736. The ending fund balances in the Debt Service Funds were \$112,280.

Capital Projects Funds

There is one nonmajor Capital Projects Fund incorporated into the financial statements of the District, the 2000 Construction Fund, which had total revenues of \$241 and total expenditures of \$0, leaving a fund balance of \$2,093.

Fiduciary Funds

The Student Activities Fund and the Scholarship Fund are operated as Trust and Agency Funds of the District. The assets of these funds are being held for the benefit of District students. Balances on hand at June 30, 2007 totaled \$341,740.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget twice. These budget amendments fall into two categories:

- Changes made in the fall to account for the final student enrollment that determines how much foundation grant state school aid will be received during the fiscal year and other grant related revenue changes.
- Although the District's final budget for the General Fund anticipated that expenditures would exceed revenue by \$95,162, the actual results for the year show a \$624,387 surplus, the majority represented the avoidance of an anticipated mid-year reduction in state funding of \$367,000, and building and department budgets carrying over \$217,236.

Capital Asset and Debt Administration

Capital Assets

By the end of 2007, the District had capital assets totaling \$70.2 million in a broad range of capital assets, including land, school buildings, athletic facilities, computer equipment and software, and administrative offices. (More detailed information about capital assets can be found in the Notes to Basic Financial Statements.)

EAST GRAND RAPIDS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2007

In fiscal year 2007 the District spent \$3,247,023 for capital projects principally in the areas of:

- Two additional classrooms at Breton Downs and Lakeside Elementaries
- District-wide improvements to all five school buildings and district maintenance building
- New technology, including \$2 million in classroom technology

At June 30, 2007, the District's investment in capital assets (net of accumulated depreciation) was \$48,675,762. Accumulated depreciation increased \$1,526,213, leaving a net increase in the book value of capital assets of \$1,720,810, which are detailed as follows:

Land	\$ 450,000
Construction in progress	3,192,639
Land improvements	1,815,000
Buildings and additions	42,785,376
Furniture and equipment	212,953
Vehicles	<u>219,794</u>
Net Capital Assets	<u><u>\$ 48,675,762</u></u>

Long-Term Debt

At year end, the District had \$72.6 million in general obligation bonds and other long-term debt outstanding – a net decrease of \$1,115,507 from June 30, 2006.

The District bond rating for general obligation debt remains at "A3". The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within a District's boundaries. The District's other obligations include borrowings from school bond loan fund, capital leases, and early retirement incentive. We present more detailed information about our long-term liabilities in the Notes to Basic Financial Statements.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- The health of the State of Michigan economy remains a major concern for the District, potentially resulting in little or no funding increases in the immediate future.
- June 30, 2008 will mark the expiration of a two-year contracts with certified and non-certified collective bargaining staff. New labor agreements will be negotiated for both groups during 2008.
- In the winter of 2004 Kent County passed a 1 mill increase county-wide for Special Education programs. In June 2004 the voters of East Grand Rapids approved a 1.4 mill recreation increase. These increases will help the District maintain excellent academic programs in 2007-08.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2007

- The start up of the West Michigan Health Insurance Pool gives the District reason for optimism related to Health Insurance cost increases.
- The implementation of the district energy conservation program in partnership with Energy Education Inc. will allow the District to control its energy costs in an environment of rapidly increasing prices for energy.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, East Grand Rapids Public Schools, 2915 Hall Street, East Grand Rapids, MI 49506.

BASIC FINANCIAL STATEMENTS

EAST GRAND RAPIDS PUBLIC SCHOOLS
Statement of Net Assets
June 30, 2007

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash equivalents, deposits and investments (Note B)	\$ 22,245,883
Taxes receivable (Note C)	48,222
Accounts receivable	140,158
Due from other governmental units (Note C)	4,325,757
Inventory (Note A)	97,698
Prepaid expenses	512,691
Total Current Assets	<u>27,370,409</u>
Noncurrent Assets	
Capital assets (Note E)	70,237,740
Less accumulated depreciation	<u>(21,561,978)</u>
Total Noncurrent Assets	<u>48,675,762</u>
Total Assets	<u>76,046,171</u>
Liabilities	
Current Liabilities	
Accounts payable	2,000,358
State aid anticipation loan payable (Note F)	2,180,000
Due to other governmental units	388,423
Accrued interest payable	592,742
Salaries payable	1,383,514
Deferred revenue (Note G)	1,289
Unamortized bond premium	143,176
Current portion of long term obligations	2,512,723
Total Current Liabilities	<u>9,202,225</u>
Noncurrent Liabilities (Note A, H)	
General obligation bonds payable	66,440,000
State school bond loan payable	5,983,778
Early retirement incentive	142,723
Current portion of long term obligations	<u>(2,512,723)</u>
Total Noncurrent Liabilities	<u>70,053,778</u>
Total Liabilities	<u>79,256,003</u>
Net Assets	
Invested in capital assets, net of related debt	(8,509,925)
Restricted for:	
Debt service	(395,541)
Capital projects	1,297,189
Unrestricted	4,398,445
Total Net Assets	<u><u>\$ (3,209,832)</u></u>

See accompanying notes to basic financial statements.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Statement of Activities
For the year ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Assets
		Charges for Services	Operating Grants	
Governmental Activities				
Instruction	\$ 16,889,108	\$ 55,678	\$ 2,287,800	\$(14,545,630)
Supporting services	12,030,250	385,479	87,026	(11,557,745)
Community services	429,876	371,711	-	(58,165)
Food service	878,667	702,202	154,935	(21,530)
Athletics	921,548	310,319	-	(611,229)
Other	24,133	-	-	(24,133)
Interest on long-term debt	3,353,802	-	-	(3,353,802)
Total Governmental Activities	\$ 34,527,384	\$ 1,825,389	\$ 2,529,761	(30,172,233)
General Revenues				
Taxes:				
Property taxes, levied for general operations				1,637,921
Property taxes, levied for debt service				4,117,376
Property taxes, levied for capital improvements				258,631
State school aid, unrestricted				22,276,156
Interest and investment earnings				1,102,222
Other				266,751
Total General Revenues				29,659,057
Change in Net Assets				(513,176)
Net Assets - Beginning of Year				(2,696,656)
Net Assets - End of Year				\$ (3,209,832)

See accompanying notes to basic financial statements.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Balance Sheet
Governmental Funds
June 30, 2007

	<u>General</u>	<u>Building and Site</u>	<u>2006 Construction</u>
Assets			
Cash equivalents, deposits and investments (Note B)	\$ 4,116,285	\$ 1,316,172	\$16,741,846
Receivables:			
Taxes (Note C)	32,913	807	-
Accounts	124,683	-	-
Due from other funds (Note D)	30,637	9,142	6,000
Due from other governmental units (Note C)	4,303,871	-	-
Inventory (Note A)	88,768	-	-
Prepaid expenditures	119,808	-	-
Total Assets	<u><u>\$ 8,816,965</u></u>	<u><u>\$ 1,326,121</u></u>	<u><u>\$16,747,846</u></u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 209,764	\$ 31,025	\$ 1,757,857
State aid anticipation loan payable (Note F)	2,180,000	-	-
Due to other funds (Note D)	127,614	-	-
Due to other governmental units	383,893	-	-
Accrued interest payable	70,419	-	-
Salaries payable	1,367,354	-	-
Deferred revenue (Note G)	84,367	807	-
Total Liabilities	<u>4,423,411</u>	<u>31,832</u>	<u>1,757,857</u>
Fund Balances			
Reserved for:			
Debt service	-	-	-
Capital outlay	-	1,294,289	14,989,989
Inventory	88,768	-	-
Encumbrances	70,191	-	-
Unreserved:			
Undesignated, reported in:			
General fund	4,234,595	-	-
Special revenue funds	-	-	-
Total Fund Balances	<u>4,393,554</u>	<u>1,294,289</u>	<u>14,989,989</u>
Total Liabilities and Fund Balances	<u><u>\$ 8,816,965</u></u>	<u><u>\$ 1,326,121</u></u>	<u><u>\$16,747,846</u></u>

See accompanying notes to basic financial statements.

<u>Nonmajor</u>	<u>Total</u>
\$ 71,580	\$22,245,883
14,502	48,222
15,000	139,683
112,472	158,251
21,886	4,325,757
8,930	97,698
1,605	121,413
<u>\$ 245,975</u>	<u>\$27,136,907</u>

1,712	\$ 2,000,358
-	2,180,000
30,162	157,776
4,530	388,423
-	70,419
16,160	1,383,514
14,502	99,676
<u>67,066</u>	<u>6,280,166</u>

112,280	112,280
2,093	16,286,371
-	88,768
-	70,191
-	4,234,595
64,536	64,536
<u>178,909</u>	<u>20,856,741</u>
<u>\$ 245,975</u>	<u>\$27,136,907</u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2007

Total governmental fund balances		\$ 20,856,741
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$70,237,740 and accumulated depreciation is \$21,561,978.		48,675,762
Net bond premium and refunding and issuance costs are not expensed but are amortized over the life of the new bond issue.		248,102
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
General obligation bonds	\$(66,440,000)	
State school bond loan payable	(5,983,778)	
Early retirement incentive	<u>(142,723)</u>	(72,566,501)
Accrued interest is not included as a liability in governmental funds.		(522,323)
Deferred revenue recognized as revenue in the full accrual statements:		
Donations	50,165	
Property taxes	<u>48,222</u>	<u>98,387</u>
Total net assets - governmental activities		<u><u>(3,209,832)</u></u>

See accompanying notes to basic financial statements.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2007

	General	Building and Site	2006 Construction
Revenues			
Local sources	\$ 2,907,652	\$ 334,376	\$ 825,693
State sources	22,438,966	-	-
Federal sources	588,520	-	-
Interdistrict sources	1,623,496	-	-
Total Revenues	<u>27,558,634</u>	<u>334,376</u>	<u>825,693</u>
Expenditures			
Current:			
Instruction	15,865,731	-	-
Supporting services	10,182,573	553	-
Community services	366,943	-	-
Food service	-	-	-
Athletics	-	-	-
Capital outlay	-	90,863	4,860,011
Debt service:			
Principal repayment	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	<u>26,415,247</u>	<u>91,416</u>	<u>4,860,011</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,143,387</u>	<u>242,960</u>	<u>(4,034,318)</u>
Other Financing Sources (Uses)			
Loan proceeds	-	-	-
Transfers in	-	-	-
Transfers out	(519,000)	-	-
Total Other Financing Sources (Uses)	<u>(519,000)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	624,387	242,960	(4,034,318)
Fund Balances, Beginning of Year	<u>3,769,167</u>	<u>1,051,329</u>	<u>19,024,307</u>
Fund Balances, End of Year	<u><u>\$ 4,393,554</u></u>	<u><u>\$ 1,294,289</u></u>	<u><u>\$ 14,989,989</u></u>

See accompanying notes to basic financial statements.

<u>Nonmajor</u>	<u>Total</u>
\$ 5,238,461	\$ 9,306,182
41,791	22,480,757
113,144	701,664
-	1,623,496
<u>5,393,396</u>	<u>34,112,099</u>
-	15,865,731
-	10,183,126
-	366,943
865,813	865,813
864,762	864,762
-	4,950,874
2,255,000	2,255,000
<u>3,119,736</u>	<u>3,119,736</u>
<u>7,105,311</u>	<u>38,471,985</u>
<u>(1,711,915)</u>	<u>(4,359,886)</u>
1,136,382	1,136,382
544,165	544,165
<u>(25,165)</u>	<u>(544,165)</u>
<u>1,655,382</u>	<u>1,136,382</u>
(56,533)	(3,223,504)
<u>235,442</u>	<u>24,080,245</u>
<u>\$ 178,909</u>	<u>\$20,856,741</u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2007

Net change in fund balances - total governmental funds \$(3,223,504)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and the cost is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlays	\$ 3,247,023	
Depreciation expense	<u>(1,526,213)</u>	1,720,810

As some delinquent personal property taxes will not be collected for several years after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead counted as deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities. (22,671)

As some private source donations were not collected within the "revenue recognition period", they are not considered "available" revenues in the governmental funds, and are instead counted as deferred revenues. They are, however, recorded as revenues in the Statement of Activities. (75,221)

Net bond premium and refunding and issuance costs are not expensed but are amortized over the life of the new bond issue. (24,133)

Proceeds from the sale of bonds or loans are an other financing source in the governmental funds, but increase long-term liabilities in the Statement of Net Assets. (1,366,483)

Repayment of principal on long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities:

Repayment of bonds	2,255,000	
Repayment of capital leases	<u>4,768</u>	2,259,768

Interest on long-term liabilities in the Statement of Activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the Statement of Activities however, interest expense is recognized as the interest accrues regardless of when it is paid. (3,964)

In the Statement of Net Assets, early retirement incentive is measured by the amount earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these paid/used (\$412,666) exceeded the amounts benefits earned (\$190,444). 222,222

Total changes in net assets - governmental activities \$(513,176)

See accompanying notes to basic financial statements.

EAST GRAND RAPIDS PUBLIC SCHOOLS
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Local sources	\$ 2,611,294	\$ 2,759,393	\$ 2,907,652	\$ 148,259
State sources	22,340,798	22,058,652	22,438,966	380,314
Federal sources	584,500	645,612	588,520	(57,092)
Interdistrict sources	1,669,736	1,649,773	1,623,496	(26,277)
Total Revenues	<u>27,206,328</u>	<u>27,113,430</u>	<u>27,558,634</u>	<u>445,204</u>
Expenditures				
Current:				
Instruction:				
Basic programs	14,192,384	14,153,858	13,959,325	194,533
Added needs	1,942,544	1,959,358	1,906,406	52,952
Supporting services:				
Pupil services	1,176,308	1,663,351	1,657,192	6,159
Instructional staff services	1,657,137	1,741,538	1,647,931	93,607
General administrative services	701,066	711,162	715,669	(4,507)
School administrative services	1,877,971	1,917,194	1,911,897	5,297
Business services	605,353	665,611	686,113	(20,502)
Operation and maintenance services	3,193,920	3,060,394	3,083,708	(23,314)
Pupil transportation services	106,912	248,382	279,763	(31,381)
Central services	222,845	202,339	200,300	2,039
Community services	313,765	366,405	366,943	(538)
Interdistrict	639,350	-	-	-
Total Expenditures	<u>26,629,555</u>	<u>26,689,592</u>	<u>26,415,247</u>	<u>274,345</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>576,773</u>	<u>423,838</u>	<u>1,143,387</u>	<u>719,549</u>
Other Financing Sources (Uses)				
Transfers out	(540,000)	(519,000)	(519,000)	-
Net Change in Fund Balances	<u>36,773</u>	<u>(95,162)</u>	<u>624,387</u>	<u>719,549</u>
Fund Balances, July 1	<u>3,769,167</u>	<u>3,769,167</u>	<u>3,769,167</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 3,805,940</u>	<u>\$ 3,674,005</u>	<u>\$ 4,393,554</u>	<u>\$ 719,549</u>

See accompanying notes to basic financial statements.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2007

	Private Purpose Trust Fund	Agency Fund
Assets		
Cash equivalents, deposits and investments (Note B)	\$ 4,295	\$ 335,243
Accounts receivable	-	2,202
Total Assets	<u>\$ 4,295</u>	<u>\$ 337,445</u>
Liabilities		
Due to other funds (Note D)	\$ 475	\$ -
Due to student groups	-	337,445
Total Liabilities	<u>475</u>	<u>\$ 337,445</u>
Net Assets		
Held in trust for:		
Individuals and organizations	<u>\$ 3,820</u>	

See accompanying notes to basic financial statements.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
For the year ended June 30, 2007

	Private Purpose Trust Fund
Additions	<u>\$ -</u>
Deductions	<u>-</u>
Change In Net Assets	-
Net Assets, Beginning of Year	<u>3,820</u>
Net Assets, End of Year	<u><u>\$ 3,820</u></u>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Note A – Summary of Significant Accounting Policies

East Grand Rapids Public Schools was organized under the School Code of the State of Michigan and services a population of approximately 3,016 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education, secondary education, pre-school programs, athletic activities, special education, community services and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The financial statements of East Grand Rapids Public Schools (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District’s accounting policies are described below.

1. Reporting Entity

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District’s financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

2. District-Wide and Fund Financial Statements

District-Wide Financial Statements - The district-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. The District does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities.

The Statement of Net Assets is presented on the classified basis and is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, unrestricted state aid, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund and the Building and Site and 2006 Construction Capital Projects Funds are the District's major funds. Non-major funds are aggregated and presented in a single column.

Fund Financial Statements – Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the district-wide level. Reconciliations between the two sets of statements are provided in separate statements.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

Revenues susceptible to accrual are property taxes, state aid, federal and interdistrict revenues and investment income. Other revenues are recognized when received. Deferred revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of the qualifying expenditures.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenues in accordance with state law and accounting principles generally accepted in the United States of America.

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of a school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

General Fund—The General Fund is the general operating fund of a school district. It is used to account for all financial resources, except those required to be accounted for in another fund. Included are all transactions related to the current operating budget.

Special Revenue Funds—Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

School Service Funds—School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. A school district maintains full control of these funds. The School Service Funds maintained by the District are the Food Service and Athletics Funds.

Debt Service Funds—Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, leases and school bond loan) principal, interest, and related costs.

Capital Projects Funds—Capital Projects Funds are used to record bond proceeds, property tax revenues or other revenues and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment and for major remodeling and repairs. The funds are retained until the purpose for which the funds were created has been accomplished.

The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of Section 1351a of the State of Michigan's School Code. For capital project activities funded with sinking fund millage, the District has complied with the applicable provisions of Section 1212 (I) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by a school district in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Fiduciary Fund net assets and results of operations are not included in the district-wide financial statements. Fiduciary funds are reported using the economic resources measurement focus. The District presently maintains a scholarship fund for the benefit of students.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District presently maintains a Student Activities Fund to record the transactions of student groups for school and school related purposes. The funds are segregated and held in trust for the students.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the district-wide and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted as they are needed.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

4. Budgets and Budgetary Accounting

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of a school district be under budgetary control and that both budgeted and actual financial results do not incur a deficit. East Grand Rapids Public Schools has also adopted budgets for its Special Revenue Funds. A school district's General Appropriations Resolution (the "budget") must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from a district's budget may occur without a corresponding amendment to the budget. A school district has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year-end. A school district may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Education. Expenditures may not legally exceed budgeted appropriations at the fund level. All appropriations lapse at the end of the fiscal year.

East Grand Rapids Public Schools utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- Starting in the spring, District administrative personnel and department heads work with the Superintendent and Assistant Superintendent for Business to establish proposed operating budgets for the fiscal year commencing the following July 1.
- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them.
- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.
- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- The original General and Special Revenue Funds budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).
- Budgets for the General and Special Revenue Funds were adopted on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

5. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

6. Investments

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

7. Inventory

Inventories are valued at cost (first-in, first-out). Inventories of the General Fund consist of custodial and maintenance supplies. Inventories of the Food Service Fund consist of food, unused commodities and other nonperishable supplies. Disbursements for inventory-type items are recorded as expenditures at the time of use for each fund.

8. Capital Assets

Capital assets, which include land, land improvements, buildings, vehicles and furniture and equipment, are reported in the district-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Land improvements, buildings and additions, vehicles and furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	10-20 years
Buildings and additions	40-50 years
Vehicles	5-10 years
Furniture and equipment	3-10 years

9. Long-Term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

10. Early Retirement Incentive

Early retirement incentive has been computed and recorded in the basic financial statements of the District. Eligible District employees who select early retirement are entitled to a termination leave payment based on their age and years of service. At June 30, 2007, the accumulated liabilities, including salary related payments, (expected to be financed by General Fund revenues) for early retirement incentive amounted to \$142,723.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

11. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

12. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

13. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note B – Cash and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- United States or federal obligation repurchase agreements.
- Banker's acceptances of United States Banks.
- Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.
- Surplus funds investment pools.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Balances at June 30, 2007 related to cash equivalents, deposits and investments are detailed in the Basic Financial Statements as follows:

Statement of Net Assets:	
Governmental activities	\$ 22,245,883
Fiduciary Funds:	
Trust and Agency Funds	<u>339,538</u>
	<u>\$ 22,585,421</u>

Cash Equivalents and Deposits

Depositories actively used by the District during the year are detailed as follows:

1. Fifth Third Bank
2. Founders Trust Bank

Cash equivalents consist of bank public funds checking and savings accounts.

June 30, 2007 balances are detailed as follows:

Cash equivalents	<u>\$ 12,986,124</u>
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Custodial credit risk

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Protection of District cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the District's cash equivalents were \$12,986,124 and the bank balance was \$13,754,822. Of the bank balance, \$200,000 was covered by federal depository insurance and \$13,554,822 was uninsured.

Investments

As of June 30, 2007 the District had the following investments:

	<u>Fair Value</u>
Investment Pool Accounts:	
Michigan Liquid Asset Fund Plus	\$ 177,350
U.S. Government Agency Securities:	
Federal National Mortgage Association (FNMA)	3,254,590
Federal Home Loan Bank (FHLB)	2,875,808
Federal Home Loan Mortgage Corporation (FHLMC)	<u>3,291,549</u>
	<u>\$ 9,599,297</u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District minimizes custodial credit risk by limiting investments to the types of securities allowed by law.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Credit Risk

The District's investments in the Michigan Liquid Asset Fund investment pool were unrated. The weighted average maturity (WAM) (in years) for the FNMA securities was 9.2149; for the FHLB securities .3705; and for the FHLMC securities 11.7629. The WAM for the portfolio was 8.0166.

Interest Rate Risk

The District minimizes interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market, and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Concentration of Credit Risk

The District's investment policy places no restrictions on the amount or percentage that may be invested in any one type of security. More than 5 percent of the District's investments are in FNMA securities (34%); FHLB securities (30%); and FHLMC securities (39%).

Foreign Currency Risk

The District is not authorized to invest in investments which have this type of risk.

Note C – State School Aid/Property Taxes

On March 15, 1994, the voters of the State of Michigan approved Proposal A, which increased the State Sales and Use Tax rates from 4% to 6% and established a State Education Tax at a rate of 6 mills on all property, except that which is exempt by law from ad valorem property taxes, and dedicated the additional revenues generated to Michigan school districts. The amount of 2006 ad valorem State Education Taxes generated within the East Grand Rapids Public School District, and paid to the State of Michigan, totaled \$3,101,516.

These additional State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance" paid on a "blended count" of District pupil membership in February, 2006 and September, 2006. The 2006-07 "Foundation Allowance" for East Grand Rapids Public Schools was \$7,686 for 3,009 "Full Time Equivalent" students, generating \$22,413,496 in state aid payments to the District of which \$3,787,897 was paid to the District in July and August, 2007 and is included in "Due From Other Governmental Units" of the General Fund and Food Service Special Revenue Fund at June 30, 2007.

Property taxes for the District are levied July 1 and December 1 under a split-levy system by the City of East Grand Rapids and the Charter Township of Grand Rapids. The taxes are then collected by each governmental unit and remitted to the District. The County of Kent, through its Delinquent Tax Revolving Fund, advances all delinquent real property taxes at March 1 to the District each year prior to June 30. Delinquent personal property taxes receivable are detailed as follows:

Year	General	Debt Service	Building & Site	Total
2006	\$ 552	\$ 227	\$ 14	\$ 793
2005	14,916	6,902	362	22,180
2004	17,445	7,373	431	25,249
	<u>\$ 32,913</u>	<u>\$ 14,502</u>	<u>\$ 807</u>	<u>\$ 48,222</u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Taxes uncollected after three years from the date of levy, unless material in amount, are written off the books of the District.

Section 1211(1) of 1993 PA 32 states that beginning in 1994, the board of a school district shall levy not more than 18 mills, if approved by voters, for school operating purposes, or the number of mills levied in 1993, whichever is less, on non-homestead property only, in order to be eligible to receive funds under the State School Aid Act of 1979. After 1996, electors may approve a 3 mill "Local Enhancement Millage" which must be shared between all local districts in each respective county intermediate district.

District electors previously (May, 2006) approved a ten year operating millage extension for the 18 mill non-homestead property tax which was levied for general operations in 2006.

The District levied a 1.3706 recreation millage, 7.95 mills for debt service purposes and .5 mills for building and site in 2006, applied on all taxable property in the District.

Taxable property in the District is assessed initially at 50% of true cash value by the assessing officials of the various units of government that comprise the District. These valuations are then equalized by the county and finally by the State of Michigan, generating the State Equalized Valuation. Taxable valuation increases will be limited, or capped (known as capped valuation), at 5% or the rate of inflation, whichever is less. With the implementation of Proposal A, taxable property is now divided into two categories: homestead and non-homestead.

Homestead property is exempt from the 18 mill "School Operating" tax. It is not exempt from the 6 mill "State Education" tax, any voted "Local Enhancement Millage", nor any additional voted millage for the retirement of debt.

Non-homestead property is considered to be all property not qualifying for a homestead exemption, which includes all commercial and industrial property. Non-homestead property is subject to all District levies.

Note D – Interfund Receivables/Payables and Transfers

Amounts due from (to) other funds representing interfund receivables and payables at June 30, 2007 are detailed as follows:

	Due From	Due To
General Fund		
Athletics Fund	\$ —	\$ 28,876
Food Service Fund	30,162	—
2000 Debt Fund	—	13,619
2001 Debt Fund	—	26,332
2005 Debt Fund	—	9,112
2006 Debt Fund	—	14,573
Building and Site Fund	—	9,142
2006 Construction Fund	—	6,000
Attie Spaans Scholarship Fund	475	—
	<hr/>	<hr/>
Total General Fund	30,637	127,614

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

	<u>Due From</u>	<u>Due To</u>
Special Revenue Funds		
Athletics Fund:		
General Fund	\$ 28,876	\$ —
Food Service Fund:		
General Fund	—	30,162
Total Special Revenue Funds	28,876	30,162
 Debt Service Funds		
2000 Debt Fund:		
General Fund	13,619	—
2001 Debt Fund:		
General Fund	26,332	—
2005 Debt Fund:		
General Fund	9,112	—
2006 Debt Fund:		
General Fund	14,573	—
	83,596	—
 Capital Projects Funds		
Building and Site Fund:		
General Fund	9,142	—
2006 Construction Fund:		
General Fund	6,000	—
	15,142	—
 Trust and Agency Funds		
Attie Spans Scholarship Fund:		
General Fund	—	475
Total All Funds	<u>\$ 158,251</u>	<u>\$ 158,251</u>

The balances represent reimbursements for expenditures incurred in 2006-07 and not paid until subsequent to the end of the fiscal year.

Transfers between funds during the year ended June 30, 2007 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Special Revenue Fund:		
Athletics Fund	\$ —	\$ 519,000
Special Revenue Fund:		
Athletics Fund:		
General Fund	519,000	—
Total All Funds	<u>\$ 519,000</u>	<u>\$ 519,000</u>

The General Fund transfer to the Athletics Fund was made to pay the General Fund's share of support for the athletic program for the fiscal year.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Note E – Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balances July 1, 2006	Additions	Deductions	Balances June 30, 2007
Capital assets not depreciated:				
Land	\$ 450,000	\$ —	\$ —	\$ 450,000
Construction in progress	—	3,192,639	—	3,192,639
Capital assets being depreciated:				
Land improvements	6,166,879	—	—	6,166,879
Buildings and additions	58,237,931	—	—	58,237,931
Furniture and equipment	1,662,375	—	—	1,662,375
Vehicles	488,532	54,384	15,000	527,916
	<u>67,005,717</u>	<u>\$3,247,023</u>	<u>\$ 15,000</u>	<u>70,237,740</u>
Totals at historical cost				
Less accumulated depreciation for:				
Land improvements	\$ 4,045,118	\$ 306,761	\$ —	\$ 4,351,879
Buildings and additions	14,213,837	1,238,718	—	15,452,555
Furniture and equipment*	1,502,605	(53,183)	—	1,449,422
Vehicles	289,205	33,917	15,000	308,122
	<u>20,050,765</u>	<u>\$1,526,213</u>	<u>\$ 15,000</u>	<u>21,561,978</u>
Total accumulated depreciation				
	<u>\$ 46,954,952</u>			<u>\$ 48,675,762</u>

*Current year depreciation expense reflects corrections to prior years' depreciation expense of \$136,933.

Depreciation expense was charged to District activities as follows:

Governmental activities:	
Instruction	\$ 1,245,599
Supporting services	148,041
Community services	62,933
Food service	12,854
Athletics	56,786
	<u>\$ 1,526,213</u>

Note F – Short-term Debt

The \$2,600,000 August 19, 2005 state aid anticipation loan was repaid on August 18, 2006. On August 18, 2006, the District borrowed \$2,180,000 in anticipation of state aid (interest at 3.68%), due in full on August 20, 2007. Total interest expense on the loans was \$80,753 for the fiscal year.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Note G – Deferred Revenue

General Fund deferred revenue includes \$50,165 of private donations receivable at June 30, 2007, but not yet received as of the audit report date.

Note H – Long-term Debt

Amounts available and to be provided for outstanding long-term debt at June 30, 2007 are summarized as follows:

	Bond Issues	State School Bond Loan	Early Retirement Incentive	Total
Amounts Available For Retirement Of Long-Term Debt				
Debt Service Funds	\$ 112,280	\$ —	\$ —	\$ 112,280
Amounts To Be Provided For Retirement Of Long-Term Debt				
General Fund	—	—	142,723	142,723
Debt Service Funds	66,327,720	5,983,778	—	72,311,498
Total Amounts Available And To Be Provided	\$ 66,440,000	\$ 5,983,778	\$ 142,723	\$ 72,566,501

Changes in long-term debt for the year ended June 30, 2007 are summarized as follows:

	Debt Outstanding July 1, 2006	Debt Added	Debt Retired	Debt Outstanding June 30, 2007
General obligation bonds:				
February 1, 2000	\$ 1,725,000	\$ —	\$ 575,000	\$ 1,150,000
July 3, 2001	24,140,000	—	70,000	24,070,000
September 30, 2004	23,930,000	—	1,260,000	22,670,000
June 18, 2006	18,900,000	—	350,000	18,550,000
State school bond loan	4,617,295	1,366,483	—	5,983,778
Capital leases	4,768	—	4,768	—
Early retirement incentive	364,945	190,444	412,666	142,723
	\$ 73,682,008	\$ 1,566,927	\$ 2,672,434	\$ 72,566,501

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Long-term bonds, notes and capital leases outstanding at June 30, 2007 are comprised of the following:

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
General Obligation Bonds				
\$27,515M Building and Site February 1, 2000:				
Annual maturities of \$575M	May 1, 2009	5.50	\$ 1,150,000	\$ 575,000
\$24,655M Refunding July 3, 2001:				
Annual maturities of \$70M to \$1,705M	May 1, 2029	4.125 - 5.50	24,070,000	70,000
\$25,125M Refunding September 30, 2004:				
Annual maturities of \$1,325M to \$2,175M	May 1, 2020	3.00 - 5.25	22,670,000	1,325,000
\$18,900M Building and Site June 13, 2006:				
Annual maturities of \$400M to \$1,300M	May 1, 2031	4.00 - 5.00	18,550,000	400,000
			<u>\$ 66,440,000</u>	<u>\$ 2,370,000</u>

The District is required to obtain loans from the Michigan School Bond Loan Fund (the "Fund") for the payment of the annual maturities of its general obligation bonds. There is no fixed maturity schedule for the repayment of these loans. Instead, the principal and interest are payable when taxes levied for debt service are no longer needed to retire bonded debt. During the year, the District borrowed \$1,136,382 from the Fund and \$230,101 of accrued interest was added to the District's liability to the Fund. At June 30, 2007, the District owed the Fund a total of \$5,983,778.

The annual requirements to pay principal and interest on long-term bonds, notes and capital leases outstanding are as follows:

Year Ended June 30	Principal	Interest	Total
2008	\$ 2,370,000	\$ 3,133,936	\$ 5,503,936
2009	2,445,000	3,043,673	5,488,673
2010	2,550,000	2,947,561	5,497,561
2011	2,655,000	2,852,999	5,507,999
2012	2,740,000	2,751,699	5,491,699
2013	2,850,000	2,645,786	5,495,786
2014	2,970,000	2,526,454	5,496,454
2015	3,125,000	2,369,868	5,494,868
2016	3,265,000	2,234,669	5,499,669
2017	3,430,000	2,070,757	5,500,757
2018	3,600,000	1,894,907	5,494,907
2019	3,805,000	1,710,281	5,515,281
2020	4,000,000	1,517,468	5,517,468
2021	2,325,000	1,320,093	3,645,093
2022	2,390,000	1,205,718	3,595,718

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Year Ended June 30	Principal	Interest	Total
2023	2,505,000	1,088,219	3,593,219
2024	2,615,000	965,218	3,580,218
2025	2,725,000	836,906	3,561,906
2026	2,785,000	703,339	3,488,339
2027	2,845,000	564,832	3,409,832
2028	2,930,000	423,432	3,353,432
2029	2,940,000	277,862	3,217,862
2030	1,275,000	128,750	1,403,750
2031	1,300,000	65,000	1,365,000
	<u>\$ 66,440,000</u>	<u>\$ 39,279,427</u>	<u>\$ 105,719,427</u>

On July 3, 2001, the District issued \$24,655,000 in general obligation bonds to advance refund \$22,925,000 of outstanding 2000 serial bonds. The net proceeds of were deposited with Fifth Third Bank and used to purchase United States Treasury securities. Under the terms of this agreement, these securities, together with interest earned to maturity, will be sufficient to pay all principal and interest as it becomes due. This procedure relieves the District from being primarily liable for the debt and the District is virtually assured of not being required to make further payments with respect to the debt. These funds cannot be commingled with other funds and cannot be redeemed. Any excess funds will be returned to the District upon final payment of principal and interest (scheduled to be May 1, 2009). This defeasance procedure allows the District to remove the related assets and liabilities from its financial statements, which it has done for the fiscal year ended June 30, 2007. The assets held by Fifth Third Bank to be used for the remaining principal and interest of \$25,613,300 on the defeased debt at June 30, 2007 are detailed in the following schedule:

	Cost	Market Value	Par Value
United States Treasury Securities	<u>\$27,100,276</u>	<u>\$23,901,726</u>	<u>\$28,928,000</u>

Note I – Retirement Plan

Substantially all District employees participate in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost sharing, multiple employer defined benefit public employee retirement system governed by the State of Michigan. The District's payroll for employees covered by MPERS for the year ended June 30, 2007 was \$15,275,109. A Basic Plan member may retire at age 55 with 30 or more years of credited service or at age 60 with 10 or more years of credited service. The annual retirement benefit, payable monthly for life, is equal to 1½ percent of a member's final average compensation multiplied by his/her number of years of credited service. Final average compensation is the employee's average salary over the last 5 years of credited service. Vested employees may retire at or after age 55 with 15 years of service and receive reduced retirement benefits.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

School districts in the State of Michigan are required to contribute at a rate, annually determined by the State of Michigan, of covered employees' compensation to the MPSERS plan. The contribution rate was 14.87% for the fiscal year ending September 30, 2005 and 16.34% for the fiscal year beginning October 1, 2005. The District's contributions to the plan for the fiscal years ended June 30, 2007, 2006 and 2005 were \$2,676,006, \$2,409,625 and \$2,094,172, respectively.

The "actuarial accrued liability" is a standardized disclosure method of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the MPSERS' funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among public employee retirement systems and employers.

The MPSERS does not make separate measurements of assets and actuarial accrued liability for individual schools. The actuarial accrued liability at September 30, 2005 (the latest reporting date available expressed as \$ in millions) for the MPSERS as a whole, determined through an actuarial valuation performed as of that date, was \$48,206. The MPSERS' net assets available for benefits on that date were \$38,211 leaving an unfunded pension benefit obligation of \$9,995. Ten year historical trend information showing the MPSERS' progress in accumulating sufficient assets to pay benefits when due is presented in the September 30, 2006 Annual Report of the MPSERS, which may be obtained by contacting the System at P.O. Box 30171, Lansing, Michigan 48909-7671.

The total actuarial accrued liability (expressed as \$ in millions) increased by \$2,462 from September 30, 2004 to September 30, 2005. Not included in the pension benefit obligation above is any future obligation attributable to health, dental and vision insurance benefits which are funded on a cash disbursement basis. With the passage of Act 279 of 1996, making permanent the cash basis financing of health, dental and vision benefits, actuarially calculated liabilities for these benefits are no longer disclosed on the balance sheets.

Prior to January 1, 1990, participating employees could elect coverage under either the noncontributory Basic Plan or the contributory Member Investment Plan (MIP). Effective January 1, 1990, all new employees are automatically enrolled in MIP. Participants in MIP, who receive benefits in addition to those available under the Basic Plan, contribute a percentage of salary. The graduated contribution rate is based on total wages and is calculated at 3% of the first \$5,000; 3.6% of the next \$10,000; and 4.3% of all wages over \$15,000. MIP members may retire at any age with 30 years of service, or at age 60 with 5 years of service, with benefits based on a final average compensation period of 5 years for members of the Basic Retirement Plan and 3 years for members of the MIP Retirement Plan.

Post-employment benefits for health, dental and vision insurance are available at retirement through the MPSERS. Retirees contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverage. Required contributions for post-employment health care benefits are included as part of the District's total contribution to the MPSERS as discussed above.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Note J – Risk Management and Benefits

The District is a member of the West Michigan Risk Management Trust, a self-insurance program with districts pooling together to insure property, liability and auto exposure. Premiums from members of the Trust are determined through standard underwriting procedures. The members of the Trust have contributed amounts sufficient to fund individual and aggregate losses up to \$175,000 and \$865,000, respectively, on an annual basis. Excess insurance has been purchased to cover claims exceeding those amounts. A \$1,000 per occurrence deductible for property losses is maintained. The District paid \$83,644 in premiums to the Trust for the year ended June 30, 2007.

The District is also a member of the West Michigan Workers' Compensation Fund, a self-insurance program with districts pooling together to insure workers' compensation and employers' liability exposures. The Fund pays the first \$300,000 of any workers' compensation or employers' liability loss out of a \$1,833,000 loss fund collected from members. Excess insurance has been purchased to cover claims exceeding those amounts. As of June 30, 2007, there were no material pending claims against the District. The District paid \$75,597 in premiums to the Fund for the year ended June 30, 2007.

Health, life and other employee insurance is provided by private insurance carriers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note K – Stewardship, Compliance and Accountability

The following District funds had actual expenditures exceed final budgeted expenditures for the year ended June 30, 2007, as follows:

	Budget	Actual	Unfavorable Variance
Special Revenue Funds			
Food Service	\$ 855,244	\$ 865,813	\$ 10,569
Athletics	824,191	864,762	40,571

Note L – Commitments

On June 18, 2006, the District issued \$18,900,000 of general obligation building and site bonds whose proceeds are being used for building renovations and additions and furniture and equipment purchases. At June 30, 2007, unspent balances committed to this construction project totaled approximately \$15 million, which are expected to be fully expended by the year ended June 30, 2008.

SUPPLEMENTAL INFORMATION

GENERAL FUND

To account for resources which are traditionally associated with the general operation of the District and not required to be accounted for in another fund.

EAST GRAND RAPIDS PUBLIC SCHOOLS
General Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash equivalents, deposits and investments	\$ 4,116,285	\$ 3,423,362
Receivables:		
Taxes	32,913	48,267
Accounts	124,683	203,269
Due from other funds	30,637	153,362
Due from other governmental units	4,303,871	4,443,561
Inventory	88,768	115,073
Prepaid expenditures	119,808	5,473
	<u> </u>	<u> </u>
Total Assets	<u><u>\$ 8,816,965</u></u>	<u><u>\$ 8,392,367</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 209,764	\$ 185,342
State aid anticipation loan payable	2,180,000	2,600,000
Due to other funds	127,614	10,241
Due to other governmental units	383,893	402,221
Accrued interest payable	70,419	65,375
Salaries payable	1,367,354	1,180,031
Deferred revenue	84,367	179,990
	<u> </u>	<u> </u>
Total Liabilities	<u>4,423,411</u>	<u>4,623,200</u>
 Fund Balances		
Reserved for:		
Inventory	88,768	109,628
Encumbrances	70,191	50,959
Unreserved:		
Undesignated	4,234,595	3,608,580
	<u> </u>	<u> </u>
Total Fund Balances	<u>4,393,554</u>	<u>3,769,167</u>
	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u><u>\$ 8,816,965</u></u>	<u><u>\$ 8,392,367</u></u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Revenues
For the years ended June 30, 2007 and 2006

	2007	2006
Local sources:		
Property taxes:		
Operating	\$ 927,072	\$ 776,871
Recreation	708,428	673,141
Delinquent property taxes	1,046	101
Other property taxes	9,421	9,306
Interest on delinquent taxes	5,607	6,373
In lieu of taxes	1,701	1,701
	<u>1,653,275</u>	<u>1,467,493</u>
Interest earnings:		
Interest on deposits and investments	99,537	97,274
Other local revenue:		
Preschool fees	55,678	64,205
Beverage consortium commissions	67,437	64,110
Bookstore	3,939	3,893
Child care fees	371,711	377,193
Joint facilities rental	214,288	208,313
Rental of school facilities	77,557	73,192
Donations	124,888	205,088
Field trip/copier reimbursement	440	250
Sale of school property	171,191	152,640
Refunds of expenditures	36,091	6,515
Miscellaneous	31,620	566
	<u>1,154,840</u>	<u>1,155,965</u>
Total local sources	<u>2,907,652</u>	<u>2,720,732</u>
State sources:		
State aid	22,371,705	21,472,917
School improvement	-	1,958
FICA/retirement reimbursement	34,296	34,296
Special education - itinerants	24,066	-
Special education - Durant reimbursements	8,899	8,899
Total state sources	<u>22,438,966</u>	<u>21,518,070</u>
Federal sources:		
Title I	81,229	81,911
Title IIA	81,848	53,214
Title IID	796	9
Title V	441	476
I.D.E.A. program	420,606	423,150
Medicaid - school based	379	2,011
Drug free schools	3,221	6,143
SPSR grant	-	4,130
Literacy grant	-	816
Total federal sources	<u>588,520</u>	<u>571,860</u>
Interdistrict sources:		
Special education - county	1,449,272	1,361,996
Special education - tuition	73,394	79,984
Special education - transportation	62,960	27,034
Special education - shared costs	7,583	8,515
Medicaid fee for service	30,287	61,432
Total interdistrict sources	<u>1,623,496</u>	<u>1,538,961</u>
Total Revenues	<u><u>\$ 27,558,634</u></u>	<u><u>\$ 26,349,623</u></u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Current:		
Instruction:		
Basic programs:		
Elementary:		
Salaries	\$ 4,378,660	\$ 4,163,446
Employee benefits	1,974,565	1,818,297
Purchased services	126,138	35,569
Supplies	242,200	124,435
Capital outlay	1,404	3,822
Miscellaneous	7,470	9,594
	<u>6,730,437</u>	<u>6,155,163</u>
Middle school:		
Salaries	1,940,236	1,935,094
Employee benefits	813,335	801,350
Purchased services	54,440	34,917
Supplies	89,766	43,440
Capital outlay	4,235	1,663
Miscellaneous	3,432	2,875
	<u>2,905,444</u>	<u>2,819,339</u>
High school:		
Salaries	2,830,450	2,742,305
Employee benefits	1,230,450	1,221,924
Purchased services	99,801	84,634
Supplies	58,498	77,275
Capital outlay	15,061	13,279
Miscellaneous	21,297	21,289
	<u>4,255,557</u>	<u>4,160,706</u>
Preschool:		
Salaries	39,319	36,967
Employee benefits	25,039	21,729
Purchased services	78	393
Supplies	2,275	1,818
Capital outlay	-	248
Miscellaneous	1,176	1,632
	<u>67,887</u>	<u>62,787</u>
Total basic programs	<u>13,959,325</u>	<u>13,197,995</u>
Added needs:		
Special education:		
Salaries	1,110,412	1,134,401
Employee benefits	581,039	517,635
Purchased services	39,708	578
Supplies	11,363	16,603
Capital outlay	5,564	8,817
Miscellaneous	5,378	4,954
Payments to other districts	79,640	-
	<u>1,833,104</u>	<u>1,682,988</u>

(Continued)

EAST GRAND RAPIDS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2007 and 2006

	2007	2006
Compensatory education:		
Salaries	\$ 45,325	\$ 52,748
Employee benefits	14,045	19,037
Purchased services	737	-
Supplies	13,195	4,228
	<u>73,302</u>	<u>76,013</u>
Total added needs	1,906,406	1,759,001
Supporting services:		
Pupil services:		
Guidance services:		
Salaries	427,176	431,800
Employee benefits	191,724	189,925
Purchased services	4,823	5,170
	<u>623,723</u>	<u>626,896</u>
Physical therapist services:		
Salaries	-	495
Employee benefits	1,024	620
Purchased services	308	367
Supplies	623	334
Payments to other districts	114,148	-
	<u>116,103</u>	<u>1,816</u>
Psychological services:		
Salaries	59,420	49,331
Employee benefits	37,510	30,150
Purchased services	49,217	51,026
Supplies	109	53
Payments to other districts	68,528	-
	<u>214,784</u>	<u>130,560</u>
Speech pathology services:		
Salaries	54,682	52,510
Employee benefits	28,486	26,746
Purchased services	9,241	6,855
Supplies	1,124	948
Payments to other districts	126,117	-
	<u>219,650</u>	<u>87,059</u>
Social worker services:		
Salaries	106,083	27,802
Employee benefits	62,093	40,612
Purchased services	21	46
Supplies	913	603
Payments to other districts	91,801	-
	<u>260,911</u>	<u>69,063</u>
Teacher consultant services:		
Salaries	89,515	85,325
Employee benefits	34,732	31,855
Purchased services	220	80
Supplies	1,455	843
	<u>125,922</u>	<u>118,103</u>

(Continued)

EAST GRAND RAPIDS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2007 and 2006

	2007	2006
Other pupil services:		
Salaries	\$ 78,086	\$ 75,010
Employee benefits	18,013	17,084
	<u>96,099</u>	<u>92,094</u>
Total pupil services	1,657,192	1,125,591
Instructional staff services:		
Improvement of instruction:		
Salaries	254,476	245,418
Employee benefits	100,268	88,835
Purchased services	121,455	60,233
Supplies	4,425	4,053
Capital outlay	6,477	7,379
Miscellaneous	48,096	59,555
	<u>535,197</u>	<u>465,473</u>
Educational media services:		
Salaries	350,590	267,315
Employee benefits	171,468	142,364
Purchased services	3,392	3,122
Supplies	27,954	25,014
	<u>553,404</u>	<u>437,815</u>
Technology department:		
Salaries	107,055	110,959
Employee benefits	46,571	48,166
Purchased services	35,266	44,423
Capital outlay	7,737	53,717
Miscellaneous	76,515	55,324
	<u>273,144</u>	<u>312,589</u>
Supervision and direction of instruction:		
Salaries	130,731	121,656
Employee benefits	60,156	54,499
Purchased services	5,088	4,165
Supplies	5,618	548
	<u>201,593</u>	<u>180,868</u>
Performing arts center:		
Salaries	58,873	54,155
Employee benefits	21,448	17,908
Supplies	1,240	3,684
Purchased services	3,032	7,540
	<u>84,593</u>	<u>83,287</u>
Total instructional staff services	1,647,931	1,480,032
General administrative services:		
Board of education:		
Employee benefits	75,597	42,182
Purchased services	111,758	100,934
Miscellaneous	3,819	5,676
	<u>191,174</u>	<u>148,792</u>

(Continued)

EAST GRAND RAPIDS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2007 and 2006

	2007	2006
Executive administration:		
Salaries	\$ 317,513	\$ 290,624
Employee benefits	120,605	123,015
Purchased services	50,455	55,367
Supplies	9,402	8,035
Capital outlay	3,985	4,916
Miscellaneous	22,535	20,734
	<u>524,495</u>	<u>502,691</u>
Total general administrative services	715,669	651,483
School administrative services:		
Office of the principal:		
Salaries	1,247,898	1,150,036
Employee benefits	614,822	552,037
Purchased services	10,303	2,427
Supplies	29,685	31,520
Miscellaneous	3,438	3,242
	<u>1,906,146</u>	<u>1,739,263</u>
Other school administrative services:		
Graduation expenses	5,751	7,334
	<u>5,751</u>	<u>7,334</u>
Total school administrative services	1,911,897	1,746,597
Business services:		
Fiscal services:		
Salaries	259,629	273,975
Employee benefits	135,746	126,782
Purchased services	983	11,278
Miscellaneous	320	608
	<u>396,678</u>	<u>412,644</u>
Print center:		
Salaries	21,145	22,190
Employee benefits	10,495	10,252
Purchased services	95,855	57,431
Supplies	19,142	7,136
	<u>146,637</u>	<u>97,009</u>
Other business services:		
Employee benefits	2,414	130
Purchased services	9,329	11,091
Miscellaneous	131,055	78,742
	<u>142,798</u>	<u>89,963</u>
Total business services	686,113	599,616
Operation and maintenance services:		
Operation and maintenance:		
Salaries	862,444	816,602
Employee benefits	460,208	478,279
Purchased services	654,532	645,517
Supplies	1,054,140	1,138,707
Capital outlay	52,384	19,178
	<u>3,083,708</u>	<u>3,098,282</u>

(Continued)

EAST GRAND RAPIDS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2007 and 2006

	2007	2006
Security services:		
Purchased services	\$ -	\$ 3,516
Supplies	-	839
	-	4,355
Total operation and maintenance services	3,083,708	3,102,637
Pupil transportation services:		
Pupil transportation:		
Salaries	87,259	84,564
Employee benefits	33,709	29,615
Purchased services	5,141	3,091
Supplies	34,184	28,269
Capital outlay	-	38,965
Miscellaneous	1,598	830
Payments to other districts	117,872	-
Total pupil transportation services	279,763	185,334
Central services:		
Planning and evaluation:		
Salaries	351	263
Employee benefits	-	57
Purchased services	4,725	5,529
Supplies	-	3,160
	5,076	9,009
Communication services:		
Purchased services	11,127	15,960
Staff/personnel services:		
Employee benefits	12,842	12,722
Purchased services	3,687	5,744
	16,529	18,466
Management information services:		
Salaries	96,262	131,050
Employee benefits	59,140	51,414
Purchased services	9,632	9,712
Supplies	2,534	1,263
	167,568	193,439
Total central services	200,300	236,874
Community services:		
Community services director:		
Purchased services	-	586
Before and after child care:		
Salaries	215,690	209,274
Employee benefits	118,992	88,254
Purchased services	10	-

(Continued)

EAST GRAND RAPIDS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Before and after child care: (Continued)		
Supplies	\$ 14,314	\$ 21,201
Capital outlay	1,814	1,227
Miscellaneous	13,199	12,738
	<u>364,019</u>	<u>332,694</u>
Non-public school pupils:		
Purchased services	<u>2,924</u>	<u>-</u>
Total community services	366,943	333,280
Capital outlay:		
Site improvements	-	60,502
Interdistrict:		
Special education - tuition	-	105,523
Special education - transportation	-	95,522
Special education - itinerant services	-	415,690
Total interdistrict	<u>-</u>	<u>616,735</u>
Total Expenditures	<u><u>\$ 26,415,247</u></u>	<u><u>\$ 25,095,677</u></u>

NONMAJOR FUNDS

EAST GRAND RAPIDS PUBLIC SCHOOLS
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2007

	Special Revenue	
	Food Service	Athletics
Assets		
Cash equivalents, deposits and investments	\$ 37,629	\$ 3,204
Receivables:		
Taxes	-	-
Accounts	-	15,000
Due from other funds	-	28,876
Due from other governmental units	21,886	-
Inventory	8,930	-
Prepaid expenditures	1,575	-
Total Assets	\$ 70,020	\$ 47,080
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 1,712	\$ -
Due to other funds	30,162	-
Due to other governmental units	545	3,985
Salaries payable	369	15,791
Deferred revenue	-	-
Total Liabilities	32,788	19,776
Fund Balances		
Reserved for debt service	-	-
Reserved for capital outlay	-	-
Unreserved:		
Undesignated	37,232	27,304
Total Fund Balances	37,232	27,304
Total Liabilities and Fund Balances	\$ 70,020	\$ 47,080

Debt Service				Capital Projects 2000 Construction	Total
2000	2001	2005	2006		
\$ 3,470	\$ 8,980	\$ 9,112	\$ 7,092	\$ 2,093	\$ 71,580
2,654	4,939	6,870	39	-	14,502
-	-	-	-	-	15,000
13,619	26,332	29,072	14,573	-	112,472
-	-	-	-	-	21,886
-	-	-	-	-	8,930
30	-	-	-	-	1,605
<u>\$ 19,773</u>	<u>\$ 40,251</u>	<u>\$ 45,054</u>	<u>\$ 21,704</u>	<u>\$ 2,093</u>	<u>\$ 245,975</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,712
-	-	-	-	-	30,162
-	-	-	-	-	4,530
-	-	-	-	-	16,160
2,654	4,939	6,870	39	-	14,502
<u>2,654</u>	<u>4,939</u>	<u>6,870</u>	<u>39</u>	<u>-</u>	<u>67,066</u>
17,119	35,312	38,184	21,665	-	112,280
-	-	-	-	2,093	2,093
-	-	-	-	-	64,536
<u>17,119</u>	<u>35,312</u>	<u>38,184</u>	<u>21,665</u>	<u>2,093</u>	<u>178,909</u>
<u>\$ 19,773</u>	<u>\$ 40,251</u>	<u>\$ 45,054</u>	<u>\$ 21,704</u>	<u>\$ 2,093</u>	<u>\$ 245,975</u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Governmental Funds
For the year ended June 30, 2007

	Special Revenue	
	Food Service	Athletics
Revenues		
Local sources:		
Property taxes	\$ -	\$ -
Interest earnings	-	-
Sales and admissions	702,202	310,319
Total local sources	702,202	310,319
State sources	41,791	-
Federal sources	113,144	-
Total Revenues	857,137	310,319
Expenditures		
Current:		
Food service	865,813	-
Athletics	-	864,762
Debt service:		
Principal repayment	-	-
Interest and fiscal charges	-	-
Total Expenditures	865,813	864,762
Excess (Deficiency) of Revenues Over Expenditures	(8,676)	(554,443)
Other Financing Sources (Uses)		
Loan proceeds	-	-
Transfers in	-	519,000
Transfers out	-	-
Total Other Financing Sources (Uses)	-	519,000
Net Change in Fund Balances	(8,676)	(35,443)
Fund Balances, July 1	45,908	62,747
Fund Balances, June 30	\$ 37,232	\$ 27,304

Debt Service					Capital Projects 2000 Construction	Total
1996	2000	2001	2005	2006		
\$ -	\$ 578,683	\$ 1,293,616	\$ 1,542,222	\$ 709,746	\$ -	\$ 4,124,267
-	23,627	27,645	35,070	15,090	241	101,673
-	-	-	-	-	-	1,012,521
-	602,310	1,321,261	1,577,292	724,836	241	5,238,461
-	-	-	-	-	-	41,791
-	-	-	-	-	-	113,144
-	602,310	1,321,261	1,577,292	724,836	241	5,393,396
-	-	-	-	-	-	865,813
-	-	-	-	-	-	864,762
-	575,000	70,000	1,260,000	350,000	-	2,255,000
-	96,637	1,228,131	1,009,476	785,492	-	3,119,736
-	671,637	1,298,131	2,269,476	1,135,492	-	7,105,311
-	(69,327)	23,130	(692,184)	(410,656)	241	(1,711,915)
-	-	-	704,061	432,321	-	1,136,382
-	25,165	-	-	-	-	544,165
(25,165)	-	-	-	-	-	(25,165)
(25,165)	25,165	-	704,061	432,321	-	1,655,382
(25,165)	(44,162)	23,130	11,877	21,665	241	(56,533)
25,165	61,281	12,182	26,307	-	1,852	235,442
\$ -	\$ 17,119	\$ 35,312	\$ 38,184	\$ 21,665	\$ 2,093	\$ 178,909

EAST GRAND RAPIDS PUBLIC SCHOOLS
Food Service Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2007

	Budget	Actual	Variance - Positive (Negative)
Revenues			
Local sources	\$ 720,500	\$ 702,202	\$ (18,298)
State sources	40,000	41,791	1,791
Federal sources	90,000	113,144	23,144
Total Revenues	<u>850,500</u>	<u>857,137</u>	<u>6,637</u>
Expenditures			
Current:			
Food service	855,244	865,813	(10,569)
Net Change in Fund Balances	(4,744)	(8,676)	(3,932)
Fund Balances, July 1	<u>45,908</u>	<u>45,908</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ 41,164</u></u>	<u><u>\$ 37,232</u></u>	<u><u>\$ (3,932)</u></u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
Athletics Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
Revenues			
Local sources	<u>\$ 322,868</u>	<u>\$ 310,319</u>	<u>\$ (12,549)</u>
Expenditures			
Current:			
Athletics	<u>824,191</u>	<u>864,762</u>	<u>(40,571)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(501,323)</u>	<u>(554,443)</u>	<u>(53,120)</u>
Other Financing Sources			
Transfers in	<u>485,000</u>	<u>519,000</u>	<u>34,000</u>
Net Change in Fund Balances	<u>(16,323)</u>	<u>(35,443)</u>	<u>(19,120)</u>
Fund Balances, July 1	<u>62,747</u>	<u>62,747</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ 46,424</u></u>	<u><u>\$ 27,304</u></u>	<u><u>\$ (19,120)</u></u>

SPECIAL REVENUE FUNDS

Food Service—to account for monies received from food service activities and federal subsidies for use in administering the hot lunch program of the District.

Athletics—to account for activity receipts and General Fund contributions used in administering the athletic program of the District.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Food Service Special Revenue Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash equivalents, deposits and investments	\$ 37,629	\$ 167,744
Due from other governmental units	21,886	19,339
Inventory	8,930	11,991
Prepaid expenditures	<u>1,575</u>	<u>-</u>
Total Assets	<u><u>\$ 70,020</u></u>	<u><u>\$ 199,074</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 1,712	\$ 21,563
Due to other funds	30,162	130,787
Due to other governmental units	545	816
Salaries payable	<u>369</u>	<u>-</u>
Total Liabilities	<u>32,788</u>	<u>153,166</u>
Fund Balances		
Unreserved:		
Undesignated	<u>37,232</u>	<u>45,908</u>
Total Liabilities and Fund Balances	<u><u>\$ 70,020</u></u>	<u><u>\$ 199,074</u></u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
Food Service Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Revenues		
Local sources:		
Sales and admissions:		
Children's lunches	\$ 381,583	\$ 373,978
Adult lunches	68,381	102,612
Milk	4,978	5,313
Ala carte	211,852	233,508
Vending machines	32,236	37,622
Other	3,172	822
Total local sources	<u>702,202</u>	<u>753,855</u>
State sources	41,791	35,775
Federal sources	<u>113,144</u>	<u>109,575</u>
Total Revenues	<u>857,137</u>	<u>899,205</u>
Expenditures		
Current:		
Food service:		
Salaries	208,111	209,062
Employee benefits	83,660	70,333
Purchased services	150,693	153,144
Supplies	420,133	419,048
Capital outlay	2,207	3,776
Miscellaneous	1,009	407
Total Expenditures	<u>865,813</u>	<u>855,770</u>
Net Change in Fund Balances	(8,676)	43,435
Fund Balances, July 1	<u>45,908</u>	<u>2,473</u>
Fund Balances, June 30	<u><u>\$ 37,232</u></u>	<u><u>\$ 45,908</u></u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
Athletics Special Revenue Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash equivalents, deposits and investments	\$ 3,204	\$ 51,731
Accounts receivable	15,000	15,000
Due from other funds	<u>28,876</u>	<u>10,241</u>
Total Assets	<u><u>\$ 47,080</u></u>	<u><u>\$ 76,972</u></u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ -	\$ 1,029
Due to other governmental units	3,985	2,541
Salaries payable	<u>15,791</u>	<u>10,655</u>
Total Liabilities	<u>19,776</u>	<u>14,225</u>
Fund Balances		
Unreserved:		
Undesignated	<u>27,304</u>	<u>62,747</u>
Total Liabilities and Fund Balances	<u><u>\$ 47,080</u></u>	<u><u>\$ 76,972</u></u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
Athletics Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2007 and 2006

	2007	2006
Revenues		
Local sources:		
Sales and admissions:		
Admissions	\$ 84,530	\$ 124,772
Season tickets	13,111	12,690
Resale supplies	6,558	7,070
Participation fees	104,570	122,622
Tournament revenue	100,968	76,842
Fundraisers	582	78,370
Total Revenues	310,319	422,366
Expenditures		
Current:		
Athletics:		
Salaries	514,990	476,337
Employee benefits	106,403	97,968
Purchased services	60,572	52,782
Supplies	48,944	93,126
Miscellaneous	133,853	143,959
Total Expenditures	864,762	864,172
Excess (Deficiency) of Revenues Over Expenditures	(554,443)	(441,806)
Other Financing Sources		
Transfers in	519,000	465,966
Net Change in Fund Balances	(35,443)	24,160
Fund Balances, July 1	62,747	38,587
Fund Balances, June 30	\$ 27,304	\$ 62,747

DEBT SERVICE FUNDS

Debt Service Funds—To accumulate property tax revenues and interest earnings for repayment of the bond issues of the District used to finance new building construction projects.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Debt Service Funds
Combining Balance Sheet
June 30, 2007

	<u>2000</u>	<u>2001</u>
Assets		
Cash equivalents, deposits and investments	\$ 3,470	\$ 8,980
Taxes receivable	2,654	4,939
Due from other funds	13,619	26,332
Prepaid expenditures	<u>30</u>	<u>-</u>
Total Assets	<u><u>\$ 19,773</u></u>	<u><u>\$ 40,251</u></u>
 Liabilities and Fund Balances		
Liabilities		
Deferred revenue	<u>\$ 2,654</u>	<u>\$ 4,939</u>
Fund Balances		
Reserved for debt service	<u>17,119</u>	<u>35,312</u>
Total Liabilities and Fund Balances	<u><u>\$ 19,773</u></u>	<u><u>\$ 40,251</u></u>

2005	2006	Totals	
		2007	2006
\$ 9,112	\$ 7,092	\$ 28,654	\$ 124,905
6,870	39	14,502	21,393
29,072	14,573	83,596	-
-	-	30	30
<u>\$ 45,054</u>	<u>\$ 21,704</u>	<u>\$ 126,782</u>	<u>\$ 146,328</u>
<u>\$ 6,870</u>	<u>\$ 39</u>	<u>\$ 14,502</u>	<u>\$ 21,393</u>
<u>38,184</u>	<u>21,665</u>	<u>112,280</u>	<u>124,935</u>
<u>\$ 45,054</u>	<u>\$ 21,704</u>	<u>\$ 126,782</u>	<u>\$ 146,328</u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2007

	1996	2000	2001
Revenues			
Local sources:			
Property taxes:			
Current property taxes	\$ -	\$ 576,480	\$ 1,288,989
Delinquent property taxes	-	73	141
Other taxes	-	2,085	4,402
Interest on delinquent taxes	-	45	84
	-	578,683	1,293,616
Interest earnings:			
Interest on deposits	-	23,627	27,645
Total Revenues	-	602,310	1,321,261
Expenditures			
Debt service:			
Principal repayment	-	575,000	70,000
Interest and fiscal charges:			
Interest expense	-	94,875	1,225,175
Paying agent fees	-	275	250
Tax refunds	-	1,487	2,706
Total Expenditures	-	671,637	1,298,131
Excess (Deficiency) of Revenues Over Expenditures	-	(69,327)	23,130
Other Financing Sources (Uses)			
Transfers in	-	25,165	-
Loan proceeds	-	-	-
Transfers out	(25,165)	-	-
Total Other Financing Sources (Uses)	(25,165)	25,165	-
Net Change in Fund Balances	(25,165)	(44,162)	23,130
Fund Balances, July 1	25,165	61,281	12,182
Fund Balances, June 30	\$ -	\$ 17,119	\$ 35,312

2005	2006	Totals	
		2007	2006
\$ 1,536,839	\$ 707,245	\$ 4,109,553	\$ 3,867,606
155	-	369	43
5,101	2,423	14,011	-
127	78	334	13,174
<u>1,542,222</u>	<u>709,746</u>	<u>4,124,267</u>	<u>3,880,823</u>
35,070	15,090	101,432	75,782
<u>1,577,292</u>	<u>724,836</u>	<u>4,225,699</u>	<u>3,956,605</u>
1,260,000	350,000	2,255,000	1,835,000
1,004,843	785,256	3,110,149	2,394,249
500	225	1,250	1,825
4,133	11	8,337	-
<u>2,269,476</u>	<u>1,135,492</u>	<u>5,374,736</u>	<u>4,231,074</u>
<u>(692,184)</u>	<u>(410,656)</u>	<u>(1,149,037)</u>	<u>(274,469)</u>
-	-	25,165	-
704,061	432,321	1,136,382	321,456
-	-	(25,165)	-
<u>704,061</u>	<u>432,321</u>	<u>1,136,382</u>	<u>321,456</u>
11,877	21,665	(12,655)	46,987
26,307	-	124,935	77,948
<u>\$ 38,184</u>	<u>\$ 21,665</u>	<u>\$ 112,280</u>	<u>\$ 124,935</u>

CAPITAL PROJECTS FUNDS

Building and Site—to account for property tax revenues and interest earnings used to finance building restoration projects.

2000 Construction—to account for bond proceeds used to finance building construction and renovation projects.

2006 Construction—to account for bond proceeds used to finance building construction and renovation projects.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Building and Site Capital Projects Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash equivalents, deposits and investments	\$ 1,316,172	\$ 1,051,329
Taxes receivable	807	1,233
Due from other funds	<u>9,142</u>	<u>-</u>
Total Assets	<u><u>\$ 1,326,121</u></u>	<u><u>\$ 1,052,562</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 31,025	\$ -
Deferred revenue	<u>807</u>	<u>1,233</u>
Total Liabilities	<u>31,832</u>	<u>1,233</u>
Fund Balances		
Reserved for capital outlay	<u>1,294,289</u>	<u>1,051,329</u>
Total Liabilities and Fund Balances	<u><u>\$ 1,326,121</u></u>	<u><u>\$ 1,052,562</u></u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
Building and Site Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Revenues		
Local sources:		
Property taxes:		
Current property taxes	\$ 258,137	\$ 217,928
Delinquent property taxes	26	3
Other taxes	14	-
Interest on delinquent taxes	880	742
	<u>259,057</u>	<u>218,673</u>
Interest earnings:		
Interest on deposits and investments	<u>75,319</u>	<u>49,365</u>
Total Revenues	<u>334,376</u>	<u>268,038</u>
Expenditures		
Current:		
Business services:		
Tax refunds	553	-
Capital outlay:		
Building improvements	88,932	183,078
Furniture and equipment	1,931	-
Miscellaneous	-	808
	<u>91,416</u>	<u>183,886</u>
Total Expenditures	<u>91,416</u>	<u>183,886</u>
Net Change in Fund Balances	242,960	84,152
Fund Balances, July 1	<u>1,051,329</u>	<u>967,177</u>
Fund Balances, June 30	<u><u>\$ 1,294,289</u></u>	<u><u>\$ 1,051,329</u></u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
2000 Construction Capital Projects Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash equivalents, deposits and investments	<u>\$ 2,093</u>	<u>\$ 1,852</u>
Liabilities and Fund Balances		
Liabilities	<u>\$ -</u>	<u>\$ -</u>
Fund Balances		
Reserved for capital outlay	<u>2,093</u>	<u>1,852</u>
Total Liabilities and Fund Balances	<u>\$ 2,093</u>	<u>\$ 1,852</u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
2000 Construction Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Revenues		
Interest earnings:		
Interest on deposits and investments	<u>\$ 241</u>	<u>\$ 203</u>
Expenditures	<u>-</u>	<u>-</u>
Net Change in Fund Balances	241	203
Fund Balances, July 1	<u>1,852</u>	<u>1,649</u>
Fund Balances, June 30	<u><u>\$ 2,093</u></u>	<u><u>\$ 1,852</u></u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
2006 Construction Capital Projects Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash equivalents, deposits and investments	\$ 16,741,846	\$ 19,046,407
Due from other funds	<u>6,000</u>	<u>-</u>
Total Assets	<u><u>16,747,846</u></u>	<u><u>19,046,407</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 1,757,857	\$ -
Due to other funds	<u>-</u>	<u>22,100</u>
Total Liabilities	<u>1,757,857</u>	<u>22,100</u>
 Fund Balances		
Reserved for capital outlay	<u>14,989,989</u>	<u>19,024,307</u>
Total Liabilities and Fund Balances	<u><u>\$ 16,747,846</u></u>	<u><u>\$ 19,046,407</u></u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
2006 Construction Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Revenues		
Local sources:		
Interest on deposits and investments	\$ 825,693	\$ -
Expenditures		
Capital outlay:		
Construction manager fees	93,065	-
Architect fees	1,132,593	-
Other professional services	120,799	2,792
Buildings and additions	1,846,182	-
Furniture and equipment	1,632,404	21,043
Bond issuance costs	34,968	97,526
Underwriter's discount	-	72,765
Total Expenditures	<u>4,860,011</u>	<u>194,126</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,034,318)</u>	<u>(194,126)</u>
Other Financing Sources		
Bond proceeds	-	18,900,000
Bond premium	-	318,433
Total Other Financing Sources	<u>-</u>	<u>19,218,433</u>
Net Change in Fund Balances	<u>(4,034,318)</u>	<u>19,024,307</u>
Fund Balances, July 1	<u>19,024,307</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ 14,989,989</u></u>	<u><u>\$ 19,024,307</u></u>

AGENCY FUND

Student Activities—to account for the collection and disbursements of monies used by the school activity clubs and groups.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Student Activities Agency Fund
Statement of Changes in Assets and Liabilities
For the year ended June 30, 2007

	<u>Balances</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>June 30, 2007</u>
Assets				
Cash equivalents, deposits and investments	\$ 264,192	\$ 946,923	\$ 875,872	\$ 335,243
Accounts receivable	151	10,651	8,600	2,202
Due from other funds	<u>-</u>	<u>58,213</u>	<u>58,213</u>	<u>-</u>
Total Assets	<u><u>\$ 264,343</u></u>	<u><u>\$ 1,015,787</u></u>	<u><u>\$ 942,685</u></u>	<u><u>\$ 337,445</u></u>
Liabilities				
Due to other funds	\$ 9,000	\$ 40,970	\$ 49,970	\$ -
Due to student groups	<u>255,343</u>	<u>974,817</u>	<u>892,715</u>	<u>337,445</u>
Total Liabilities	<u><u>\$ 264,343</u></u>	<u><u>\$ 1,015,787</u></u>	<u><u>\$ 942,685</u></u>	<u><u>\$ 337,445</u></u>

OTHER INFORMATION

EAST GRAND RAPIDS PUBLIC SCHOOLS
Summary of 2006 Taxes Levied and Collected
For the year ended June 30, 2007

	Kent County		
	City of East Grand Rapids	Township of Grand Rapids	Total
Taxable Valuations			
Operating	\$ 49,214,333	\$ 2,318,219	\$ 51,532,552
Recreation/Debt Service/Building & Site	485,491,255	31,428,016	516,919,271
Rates (Mills)			
General Fund - Operating			18.0000
General Fund - Recreation			1.3706
2000 Debt Service Fund			1.1118
2001 Debt Service Fund			2.4934
2004 Debt Service Fund			2.9771
2006 Debt Service Fund			1.3677
Building and Site Fund			0.5000
			<u>27.8206</u>
Taxes Levied 2006 Rolls			
General Fund - Operating	\$ 885,857	\$ 41,728	\$ 927,585
General Fund - Recreation	665,393	43,074	708,467
2000 Debt Service Fund	539,747	34,940	574,687
2001 Debt Service Fund	1,210,505	78,362	1,288,867
2004 Debt Service Fund	1,445,357	93,565	1,538,922
2006 Debt Service Fund	664,027	42,985	707,012
Building and Site Fund	242,729	15,714	258,443
	<u>5,653,615</u>	<u>350,368</u>	<u>6,003,983</u>
Taxes Uncollected 2006 Rolls			
General Fund - Operating	513	-	513
General Fund - Recreation	39	-	39
2000 Debt Service Fund	32	-	32
2001 Debt Service Fund	71	-	71
2004 Debt Service Fund	85	-	85
2006 Debt Service Fund	39	-	39
Building and Site Fund	14	-	14
	<u>793</u>	<u>-</u>	<u>793</u>
Taxes Collected 2006 Rolls			
General Fund - Operating	885,344	41,728	927,072
General Fund - Recreation	665,354	43,074	708,428
2000 Debt Service Fund	539,715	34,940	574,655
2001 Debt Service Fund	1,210,434	78,362	1,288,796
2004 Debt Service Fund	1,445,272	93,565	1,538,837
2006 Debt Service Fund	663,988	42,985	706,973
Building and Site Fund	242,715	15,714	258,429
	<u>5,652,822</u>	<u>350,368</u>	<u>6,003,190</u>
Delinquent Taxes Collected			
General Fund	1,046	-	1,046
2000 Debt Service Fund	73	-	73
2001 Debt Service Fund	141	-	141
2004 Debt Service Fund	155	-	155
Building and Site Fund	26	-	26
	<u>1,441</u>	<u>-</u>	<u>1,441</u>

(Continued)

EAST GRAND RAPIDS PUBLIC SCHOOLS
Summary of 2006 Taxes Levied and Collected
For the year ended June 30, 2007

	Kent County		
	City of East Grand Rapids	Township of Grand Rapids	Total
Total Taxes Collected			
General Fund - Operating	\$ 886,390	\$ 41,728	\$ 928,118
General Fund - Recreation	665,354	43,074	708,428
2000 Debt Service Fund	539,788	34,940	574,728
2001 Debt Service Fund	1,210,575	78,362	1,288,937
2004 Debt Service Fund	1,445,427	93,565	1,538,992
2006 Debt Service Fund	663,988	42,985	706,973
Building and Site Fund	242,741	15,714	258,455
	<u>\$ 5,654,263</u>	<u>\$ 350,368</u>	<u>\$ 6,004,631</u>
Taxes Uncollected - June 30, 2007			
General Fund - Operating:			
2006	\$ 552	\$ -	\$ 552
2005	14,916	-	14,916
2004	17,445	-	17,445
	<u>32,913</u>	<u>-</u>	<u>32,913</u>
2000 Debt Service Fund:			
2006	32	-	32
2005	1,210	-	1,210
2004	1,412	-	1,412
	<u>2,654</u>	<u>-</u>	<u>2,654</u>
2001 Debt Service Fund:			
2006	71	-	71
2005	2,241	-	2,241
2004	2,627	-	2,627
	<u>4,939</u>	<u>-</u>	<u>4,939</u>
2004 Debt Service Fund:			
2006	85	-	85
2005	3,451	-	3,451
2004	3,334	-	3,334
	<u>6,870</u>	<u>-</u>	<u>6,870</u>
2006 Debt Service Fund:			
2006	39	-	39
Building and Site Fund:			
2006	14	-	14
2005	362	-	362
2004	431	-	431
	<u>807</u>	<u>-</u>	<u>807</u>
Total Taxes Uncollected	<u>\$ 48,222</u>	<u>\$ -</u>	<u>\$ 48,222</u>

Hungerford, Aldrin,
Nichols & Carter, P.C.

C P A S AND CONSULTANTS

November 12, 2007

The Board of Education
East Grand Rapids Public Schools
Kent County, Michigan

The following comments pertain to our audit of the financial records of East Grand Rapids Public Schools as of and for the year ended June 30, 2007. The comments are made in accordance with Statement on Auditing Standards No. 61 "Communication With Audit Committees" which requires that in certain audits, certain matters are to be communicated to those who have responsibility for oversight of the financial reporting process. The communications required by this statement, if pertinent to the examination, are as follows:

1. Auditor's Responsibility Under Generally Accepted Auditing Standards.
2. Significant Accounting Policies.
3. Management Judgments and Accounting Estimates.
4. Significant Audit Adjustments.
5. Other Information in Documents Containing Audited Financial Statements.
6. Disagreements With Management.
7. Consultation With Other Accountants.
8. Major Issues Discussed With Management Prior to Retention.
9. Difficulties Encountered in Performing the Audit.
10. Uncorrected Misstatements (Passed Audit Adjustments).

The communications specified by this Statement are incidental to the audit and are not required to occur before, nor do they affect, our auditor's report on the District's financial statements.

The following are the matters to be communicated by SAS No. 61 based on our observations during the course of our audit of the financial statements and our review and evaluation of the internal control system of East Grand Rapids Public Schools:

Auditors Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered East Grand Rapids Public School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether East Grand Rapids Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about East Grand Rapids Public School's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on East Grand Rapids Public School's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on East Grand Rapids Public School's compliance with those requirements.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by East Grand Rapids Public Schools are described in Note A to the financial statements.

Difficulties Encountered In Performing The Audit

We encountered no significant difficulties in performing the audit of the financial statements of East Grand Rapids Public Schools for the year ended June 30, 2007.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. During the course of our audit the following adjustments of a significant nature were made to the accounting records of the District to bring the balances to those presented in the financial statements:

General Fund

1. \$8,822 to record 2006 delinquent personal property taxes receivable and \$14,860 to write off 2003 delinquent personal property taxes uncollected at June 30, 2007.

Food Service Fund

1. \$22,724 to record USDA bonus and entitlement commodities received during the year.

2006 Construction Fund

1. \$1,757,857 to record year-end accounts payable for services completed before June 30, 2007.
2. \$54,694 to adjust long-term securities held by the Fund to market value at June 30, 2007 to comply with generally accepted accounting principles.

Proposed Audit Adjustments

There were no material adjustments proposed during the audit not recorded by East Grand Rapids Public Schools.

Suggestions and Recommendations

We offered suggestions and recommendations regarding the day-to-day operations of the accounting system of East Grand Rapids Public Schools to the Assistant Superintendent for Business, the Accounting Supervisor and District accounting personnel as the topics arose during the course of our audit fieldwork. Hopefully, these suggestions will ease the day-to-day operations of the business office and assist in more efficient monthly and year-end financial record keeping and reporting.

In the fall of 2006, the AICPA issued Statement on Auditing Standards No. 112 "*Communicating Internal Control Related Matters Identified in an Audit*", which requires a written communication from an auditor to an organization's governing board if any weaknesses in internal controls ("control deficiencies") rise to the level of "significant deficiencies" or "material weaknesses" that might effect the integrity of the financial statements. The AICPA significantly broadened the standards as to what might be a significant deficiency and/or material weakness and raised the expectations of auditors to report these control deficiencies, if found. We did observe certain control deficiencies in areas of the District's internal control during the course of our audit that we determined to be significant deficiencies or material weaknesses, which have been detailed in a

separate letter to the Board of Education. The following recommendations relate to our internal control findings:

- The District should *document* its internal control and accounting policies and procedures that are currently in operation within the District; this will increase the efficiency and accountability of the accounting and record keeping process and strengthen the internal control system of the District.
- The District should consider increasing the *independent monitoring* of accounting functions in the business office (bank reconciliations, payroll review, federal program administration, etc.) in order to strengthen internal controls and also establish a program of hands-on monitoring of areas with financial transactions outside the business office (athletics, food service, student activities, child care)..
- We encourage the District to support the Assistant Superintendent for Business, Accounting Supervisor, and other business office personnel in *furthering their education in the area of governmental accounting and financial statement preparation* requirements to achieve and maintain compliance with current GAAP and GASB standards. These are complex and constantly changing requirements that continue to increase and undergo significant modifications.

Our audit this year was again completed under the requirements of Statement on Auditing Standards No. 99 “Consideration of Fraud in a Financial Statement Audit” (SAS No. 99), which requires both auditors and their clients to more directly and openly assess those areas within a school district that might be susceptible to fraudulent activity, which would normally include those areas outside the central office that handle cash, inventory, supplies, etc. This is an important audit standard that requires increased face-to-face discussions/interviews with client personnel and extensive documentation of our findings for future reference. We found that East Grand Rapids Public Schools has a very extensive network of internal controls within its accounting and record keeping system, and found those tested this year to be operating in the manner intended. Working with District business office personnel, we will be testing other control areas each year as a part of our audit, with suggestions and recommendations to follow the testing each year, to assist the District in maintaining and improving its systems.

Other Comments

The General Fund balance of the District increased by \$624,387 to \$4,393,554 at June 30, 2007. This fund balance does not include \$50,165 of deferred revenue for donations to the District that had not been collected within sixty days after the close of the fiscal year. The fund balance of \$4,393,544 represents approximately 16 percent of the District’s 2007-08 expenditure budget, up from 13 percent at June 30, 2006. The fund balance would have been at 16.3 percent had the donations not been deferred. Maintaining a fund balance of at least 10 to 20 percent of the ensuing year’s expenditure budget is advisable for East Grand Rapids Public Schools. This gives the District more stable operating funds during the year, helps avoid or reduce the necessity of borrowing for short-term cash flow purposes and acts as a buffer against the uncertainty of state aid revenues accruing to the District. In addition, employee benefit costs are expected to increase significantly in the next few years, which will require the use of fund balance reserves considering the expectation of small (or no) growth in state aid revenues.

East Grand Rapids Public Schools
November 12, 2007
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This communication is intended solely for the information and use of the East Grand Rapids Public Schools Board of Education, administration and others within the organization. We have furnished a copy of this letter to the Michigan Department of Education as an enclosure with the audit report as required by the State of Michigan.

We appreciate the opportunity to provide financial auditing and advisory services to East Grand Rapids Public Schools and hope to continue to do so in the future. We also appreciate the dedication and cooperation of the District's administration and accounting personnel in performing their functions and in assisting us in completing ours. If there are any questions regarding the audit report, or the attached communications, we will be happy to address them.

Hungerford, Alden, Nichols & Co., P.C.

Certified Public Accountants